



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

1961-06-01

An appraisal of the budgetary process in the Marine Corps Reserve.

Hare, Andrew Edgar

George Washington University

<http://hdl.handle.net/10945/11689>

Downloaded from NPS Archive: Calhoun



<http://www.nps.edu/library>

Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

NPS ARCHIVE
1961.06
HARE, A.

AN APPRAISAL OF THE BUDGETARY PROCESS
IN THE MARINE CORPS RESERVE

ANDREW EDGAR HARE

LIBRARY
U.S. NAVAL POSTGRADUATE SCHOOL
MONTEREY, CALIFORNIA

AN APPRAISAL OF THE BUDGETARY PROCESS
IN THE MARINE CORPS RESERVE

By

Andrew Edgar Hare
B.S., Bethany College, 1949

A thesis submitted to the Faculty of the School of Government, Business, and International Affairs of The George Washington University in partial satisfaction of the requirements for the degree of Master of Business Administration.

June 7, 1961

Thesis directed by

Arlin Rex Johnson, Ph.D.
Professor of Business Administration

NOT A REPLY

1961.06

HARE, A.

~~Nicols~~
H22

RECEIVED 2 JULY 1961
AIR FORCE RESEARCH AND DEVELOPMENT COMMAND

RECEIVED 2 JULY 1961
AIR FORCE RESEARCH AND DEVELOPMENT COMMAND

RECEIVED 2 JULY 1961
AIR FORCE RESEARCH AND DEVELOPMENT COMMAND
RECEIVED 2 JULY 1961
AIR FORCE RESEARCH AND DEVELOPMENT COMMAND

RECEIVED 2 JULY 1961

RECEIVED 2 JULY 1961
AIR FORCE RESEARCH AND DEVELOPMENT COMMAND

PREFACE

It has been my good fortune to have been apprized of my next duty assignment as the Budget Officer, Division of Reserves, Headquarters Marine Corps, about five months prior to the time I must assume the duties.

And good fortune it has been, truly! For five months I have been able from time to time to look into many of the ramifications and implications of the job to be done, as an unbiased and disinterested outsider. From that attitude, the perspective has been one of objectivity; I could perhaps discover areas for improvements which the "old hands" fail to see; I could ask searching questions about things which they take for granted.

This unique experience will be of value to me, I hope, in at least two ways. First, I pray I have absorbed enough knowledge about the duties involved to be able to perform them with excellence. The other hope is that I might be able to make valid contributions toward improving the present system.

More help than ought reasonably to be expected was given to me by Captain James H. Bolton, the incumbent budgeter. He gave his time and knowledge unselfishly. His comments and recommendations are very much appreciated. It is certain that the Division of Reserves will sorely miss that gentleman.

Dr. A. Rex Johnson also deserves an expression of gratitude; he has taught me far more than he has seen me demonstrate in our daily contacts.

Without his subtle proddings, some of what I have learned from my diggings in the Division of Reserves might never have been documented in the form of this thesis.

A.E.H.

TABLE OF CONTENTS

	Page
PREFACE	11
LIST OF ILLUSTRATIONS	v
 Chapter	
I. INTRODUCTION	1
II. THE MARINE CORPS RESERVE	5
Why the Reserve?	5
Where are the Reserves	7
What do Reserves do during peacetime?	10
III. RESERVE BUDGET FORMULATION	14
Background	14
Budget Philosophies	15
Formulation Cycle: Operations and Maintenance Estimate	19
Formulation Cycle: Reserve Personnel Estimate	24
Formulation Cycle: Marine Corps Budget Estimate	28
IV. RESERVE BUDGET EXECUTION	30
Controls—Apportionment, Allocation, Allotment	30
Financial Management, "Reserve Personnel, Marine Corps" Funds	37
Financial Management, "Operations and Maintenance, Marine Corps" Funds	41
V. SUMMARY	42
BIBLIOGRAPHY	45

LIST OF ILLUSTRATIONS

Figure	Page
1. Marine Corps Reserve and Recruitment Districts	9
2. Sites most used for Marine Reserve Training	12
3. Annual Estimate for Operations and Maintenance of Reserve Districts, Stations and Units (NAVMC 10252) .	23
4. Allotment/Suballotment Authorization (NAVCOMPT 372) . .	35
Allotment or Suballotment Authorization (Continuation Sheet for use with NAVCOMPT 372) NAVMC HO 347-FD	36

CHAPTER I

INTRODUCTION

There shall be within each of the Armed Forces of the United States a Ready Reserve, a Standby Reserve, and a Retired Reserve, and each member of the reserve components shall be placed in one of these categories.¹

Most civilian citizens of the United States are not aware that the public statutes contain this legislation. Those who do possess an awareness of the existence of such a law attach to it little or no significance. But members of the Armed Forces, and persons close to the Armed Forces, are acutely aware of Reserves' legislation. It holds great significance for them, as will be seen in subsequent paragraphs.

The Congress had a specific and valid purpose when it enacted this legislation:

The Congress hereby declares that the reserve components of the Armed Forces of the United States are maintained for the purpose of providing trained units and qualified individuals to be available for active duty in the Armed Forces of the United States in time of war or national emergency, and at such other times as the national security may require, to meet the requirements of the Armed Forces of the United States in excess of those of the Regular components thereof, during and after the period needed for procurement and training of additional trained units and qualified individuals to achieve the planned mobilization.²

¹U.S. Congress, Armed Forces Reserve Act of 1952, Public Law 476, 82d Congress, 2d Sess., July 9, 1952, Sec. 203; as amended by U.S. Congress, Reserve Forces Act of 1955, Public Law 305, 84th Cong., 1st Sess., August 9, 1955.

²Ibid., Sec. 201(a).

Congress' purpose, obviously, was to provide a sound and ready mobilization base to expand rapidly the size and capabilities of the Armed Forces when needed.

These are the first considerations of major significance to those in the regular Military Establishment. They are the custodians of the responsibility for all aspects of obtaining and maintaining these reserve forces. Recruitment, training, and administration are only three of the many facets of this responsibility. Full-time services of many members of regular establishments are necessary to perform properly these duties.³

But before reserve forces can be recruited and trained, there must be available funds with which to pay for these activities. This, perhaps, is the most significant aspect of all—those regulars who carry the responsibility for recruitment, training, and administration of reserve forces must also carry the responsibility for spending public funds.

Concern with public funds is a facet of the military's stewardship to the citizens of the nation which, it often seems, is overlooked or relegated to a position of minor importance by far too many military members.

First efforts in preparing this thesis, then, were directed toward finding justification for the existence of reserve forces—is there real wisdom in spending public money for them? Where existence can be justified, it would seem to follow that expenses of keeping them ready to fight are justified. In the next chapter, the results of the search for justification of the Marine Corps Reserve, and the organization of the components of that reserve, are discussed. Organization and distribution are included because these two factors determine to a significant degree the rate and cause of spending.

³For example, at the present time there are approximately 4100 regular marines directly involved with recruitment, training, and administration of the reserve components of the Marine Corps.

After the question which asks, "Is it wisdom to spend for these things?" is answered, another question immediately rises to demand attention. That question is, "Is the spending done with wisdom?" Is there, in fact, "the wise apportionment of resources in a manner to yield the most lasting benefit?"⁴ The ability to answer such a question with certainty can be gotten only by a searching analysis of how the appropriated funds are spent. Therefore the steps along the path of budget formulation and execution in the Marine Corps Reserve were traced. It was desired to discover the processes and procedures involved—how the budget is prepared and executed. But, even more, there was a wish to find out whether or not improvements ought to be made. If a need for remedial action was indicated, the where and what of that improvement have been offered.

Subsequent chapters are devoted to elucidation of how the Reserve budget is prepared currently. Weak spots are highlighted, and remedies are suggested. The final implementing phase—execution—is discussed also, again with emphasis on weaknesses and possible remedies.

It is gratifying to realize that a little known researcher might be responsible for instituting profitable changes at Headquarters Marine Corps. It is extremely naive to believe that that same researcher could hope to institute changes in the Bureau of the Budget, or the Halls of Congress, or in the offices of the various service secretaries. These two realizations pointed toward a need for "ground rules" for this project.

This paper is intended to study the Marine Corps, and the Marine Corps Reserve, specifically. For that reason, any recommended improvements

⁴ Budget as an Aid to Management, A Report Prepared by the Policy-holders Service Bureau, Group Insurance Division, Metropolitan Life Insurance Company (New York, 1954), p. 2.

are actions which can be taken by the Marine Corps under its present authority to act in such matters. Discussions of budget formulation and execution here are concerned with machinations within the confines of the Marine Corps. So there is little or no mention made of the course of the Marine Corps budget through the levels above the Commandant of the Marine Corps. This is, plainly, an assumption by the writer that all readers possess an awareness of the budget process in the United States.

CHAPTER II

THE MARINE CORPS RESERVE

Why the Reserve?

During the years following World War II, the Marine Corps made every effort to create and maintain a strong Organized Ground Reserve. The Corps desired a strong and militarily proficient reserve, readily available for mobilization in the event of a national emergency or war. Succinctly, "the Marine Corps wanted to be ready with the maximum possible number of trained and available reservists for rapid integration into the depleted regular establishment."¹

This need was not long forthcoming. On 25 June 1950, the North Korean Army invaded South Korea; the United States committed troops to intervene. During July, General MacArthur had "repeatedly requested a war-strength marine division with appropriate air support for employment in Korea."² Marine planners were drawn more and more toward a single basic conclusion—if MacArthur's request were granted, "the Marine Corps Reserve would have to be mobilized at once."³ The step was authorized by the President and the die was cast.⁴

¹Ernest H. Guisti, The Mobilization of the Marine Corps Reserve in the Korean Conflict, Historical Section, G-3, Headquarters U. S. Marine Corps (Washington, D.C.: U. S. Marine Corps, 1952), p. III-1.

²Ibid., p. II-3.

³Lynn Montross and Nicholas A. Canzona, U. S. Marine Operations in Korea, Vol. I: The Pusan Perimeter (Washington, D.C.: Historical Branch, G-3, Headquarters, U. S. Marine Corps, 1954), p. 58.

⁴This authorization, with congressional sanction, was granted on July 19, 1950. (Guisti, op. cit., p. II-2).

Orders to Organized Reserve units were being issued at established intervals:

On 22 July 25 units were ordered to active duty; on 24 July, 23 units; on 25 July, 18 units; on 26 July 13 units; on 27 July, 6 units; . . . In all, orders were issued to 138 separate units with a combined 30 June strength of 1880 officers and 31,648 enlisted, or a total strength of 33,528. Ten days before the last remaining Organized Ground Unit was ordered to active duty on 10 August, the first ordered units began flowing into camp.⁵

It is pertinent to point out that this complete mobilization of the ground reserve was effected in a period of 53 days (20 July-11 September) and on 15 September, "approximately 5800 organized reservists were playing, or were about to play, an important role in the victorious Inchon-Seoul operations as part of the 1st Marine Division and the 1st Marine Aircraft Wing."⁶

Experience is an excellent instructor. Many lessons have been learned from the Korean conflict. But there is no precept more valuable to the Marine Corps than the one prescribing the vital importance of a large, readily available, high quality reserve. The Commandant of the Marine Corps, General David M. Shoup, gave reassurance that this lesson has been learned well when he testified before the House of Representatives Subcommittee on Defense Appropriations, in January 1960: ". . . we have Ready Reserves; our plan calls for 45,000 Ready Reserves, ready to go. They are the best I have ever seen. They are ready to take their places, I feel, with our combat units."⁷

⁵Ibid., p. III-2.

⁶Ibid., p. III-4.

⁷U.S., Congress, House, Subcommittee of the Committee on Appropriations, Hearings, Department of Defense Appropriations, 1961, 86th Cong., 2d Sess., 1960, p. 176.

There is no evidence to indicate that future hates, be they conventional or nuclear, will not require rapid expansion of the regular fighting forces. In fact, the need for such backup is highlighted almost daily in the arena of international relations and tensions created by these relations. Nor is there evidence of any military man or politician of stature questioning the need for reserves. There is a national desire to avoid the burden of supporting large standing forces; the void thus created is filled as needed by reserve components.

It is evident that it is wisdom to maintain such forces!

Where are the Reserves?

The reasons for spending funds, the quantity of such spending, and the rate of spending by reserve forces are all influenced to no slight degree by the geographic distribution of the reserve forces units. While Marine Reserve units are widely scattered, administration of these units is rooted at Headquarters, U.S. Marine Corps.⁸ The following paragraphs will lay out the aspects of organization and distribution which are pertinent to fiscal management of the Marine Corps Reserve.

The Organized Marine Corps Reserve⁹ currently consists of 315 major units located in all regions of the United States, except Alaska. To provide a membership large enough to justify the expense of forming and maintaining reserve units—battalions, companies, or batteries—units are sited

⁸ Interview with the Director, Division of Reserves, Headquarters, U.S. Marine Corps, March 13, 1961.

⁹ The reserve forces consist of Organized Ground Reserve, Organized Aviation Reserve, and Volunteer Reserves. For purposes of this study, however, the term Marine Corps Reserves is meant to refer only to the Organized Reserves.

in or near major urban areas. In fact, the more densely populated cities usually have two or more units located nearby; they operate on a "controlling" unit and "satellite" unit basis.

Inspector-Instructor staffs are found at each unit. These staffs are comprised of regular marines, for the most part. Their task is to recruit reservists, carry out training directives from higher authority, perform administrative functions, and provide counsel and assistance.

Each of these units is a member of a Marine Corps Reserve and Recruitment District. Seven Reserve and Recruitment Districts have been formed by a geographical division of the United States. Figure 1 is a graphic presentation of this division into districts.

Each Reserve and Recruitment District is commanded by a District Director. Thus, for financial management, each of the 315 units falls under the control of the Director of the particular Reserve and Recruitment District in which the unit is located.

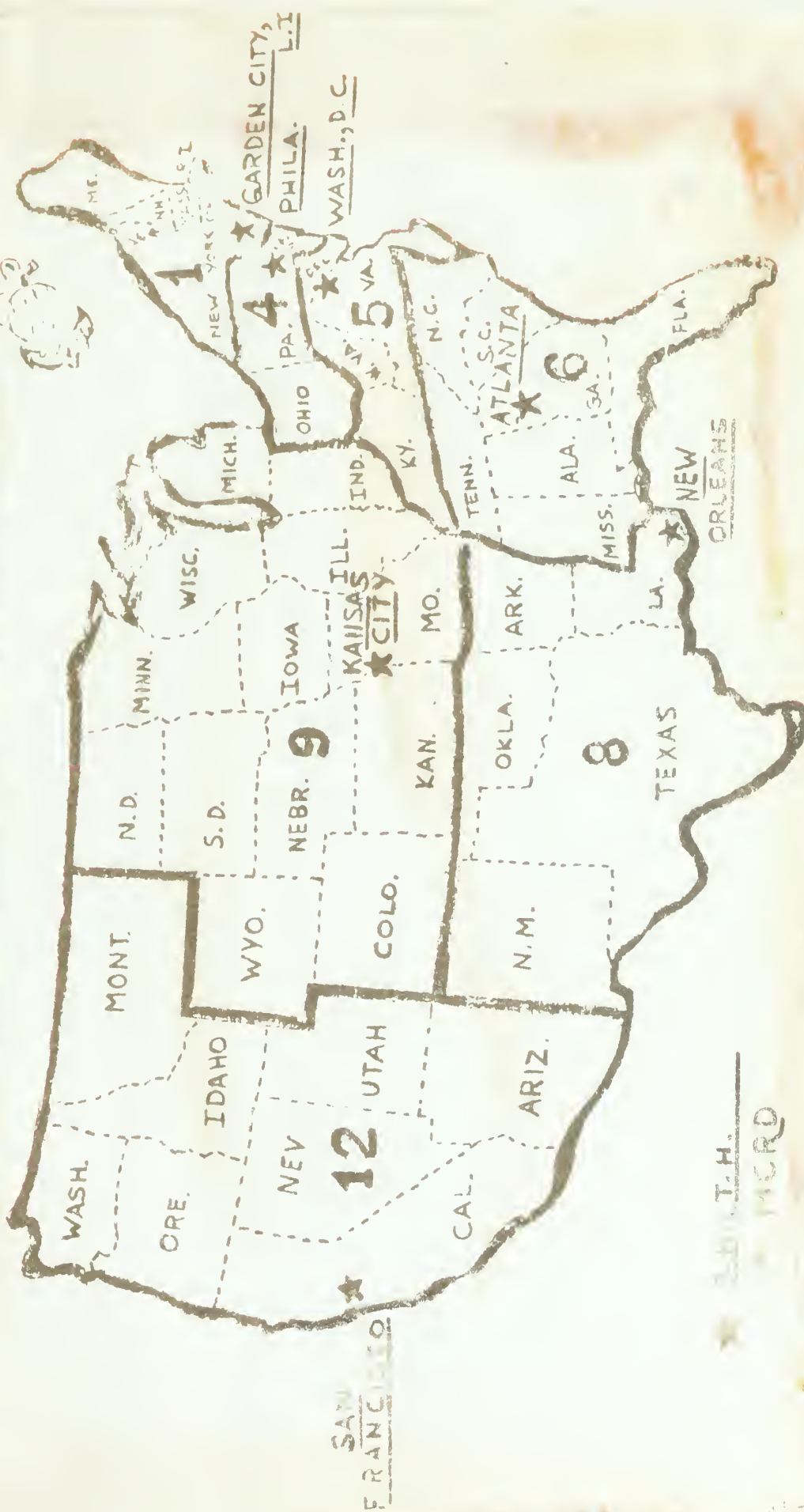
District Directors are under the direct command of the Commandant of the Marine Corps. Acting as the Commandant's cognizant staff officer for Marine Corps Reserve functions and operations is the Director, Marine Corps Reserve.

In brief, the Marine Corps Reserve organizational pattern can be best described as "decentralized operations, centrally controlled."¹⁰

The Director of each Reserve and Recruitment District holds two types of financial responsibility. These are expressed in official language:

¹⁰ Interview with the Head, Manpower Section, Division of Reserves, Headquarters Marine Corps, March 13, 1961.

MARINE CORPS RESERVE AND RECRUITMENT DISTRICTS



★ JOHN T. H.
WORLD

a. Command responsibility--that type of financial responsibility paralleling the other responsibilities of a commander, giving him the responsibility for the control and administration of funds allocated to perform the missions assigned to his command.

b. Legal responsibility--that responsibility not to overcommit, overobligate, or overexpend appropriated funds placed by . . . on a commander who is the recipient of an allotment or suballotment of appropriated funds.¹¹

District Directors receive allotments and suballotments; they have command and legal financial responsibilities. Each District has a staff officer assigned to perform the fiscal function for the Director; these may be his primary duties, or they may be assigned as collateral duties. There is no established table of organization billet for such a staff officer in the Marine Corps Reserve, except at Headquarters Marine Corps.¹²

What do Reserves do during peacetime?

The mission of the Marine Corps Reserve is "to provide trained personnel for duty with the Marine Corps in war or in a national emergency."¹³ To fulfil that mission, marine reservists participate in drill periods--training periods--throughout the year. In many instances, field problems involving two or more units are engaged in. Travel and time are involved in all training periods--this time and travel must be paid for.

Selected officers and enlisted men are assigned to professional or occupational field training, to service schools, to technical training, and to refresher training. Further, assignments to staff billets concerned

¹¹U.S., Department of the Navy, Headquarters, U.S. Marine Corps, Marine Corps Commanders and Financial Management, NAVMC 1093-FD(Rev.), (16 June 1958), p. 3.

¹²One officer, trained in financial management, is assigned as Budget Officer, Logistics Section, Division of Reserves, HqMC.

¹³Public Law 476, op. cit., Sec. 201.

with Fleet Marine Force exercises are utilized. Here, again, time and travel expenses are incurred and must be paid for.

All Organized Reserve unit members in a forty-eight Drill Pay Status (a member paid for each drill attended up to forty-eight per year) must undergo annual active duty training for a period of seventeen days or less.¹⁴ To meet this legal requirement, the Commandant assigns each of the Organized Reserve units to Annual Field Training at one of about sixteen military installations throughout the United States. Figure 2 is a list of the most used training sites.

Assignments of individual units to specific bases are made on the basis of suitability for the training required for various units. Continual increases in the level of training to be obtained is the criterion for this suitability. The fiscal consequences of these assignments are not difficult to see; considerable long distance travel by many reservists is required, and considerable expense is incurred by the bases which must host these many reservists.

All this training is aimed toward satisfying the Marine Corps requirement to meet initial Fleet Marine Force mobilization requirements from the Organized Reserve. With well planned training, realistically conducted, "the Organized Marine Corps Reserve will be in the best condition of readiness for service in mobilization or National Emergency [sic] in its history."¹⁵

The nation has great need for the reserve forces for specific tasks. If it is worthwhile to have these forces, certainly it is worthwhile to have

¹⁴ Ibid., Sections 208 and 233(a).

¹⁵ Brig. General W. T. Fairbourn, before the Department of Defense Subcommittee of the House Committee on Appropriations on the FY 1962 "Reserve Personnel, Marine Corps" budget request.

1. Marine Corps Schools, Quantico, Virginia.
2. Marine Corps Base, Camp Lejeune, North Carolina.
3. Landing Force Training Unit, Atlantic, Little Creek, Virginia.
4. Marine Corps Recruit Depot, Parris Island, South Carolina.
5. Marine Corps Air Station, Cherry Point, North Carolina.
6. Marine Corps Base, Camp Pendleton, California.
7. Landing Force Training Unit, Pacific, Coronado, California.
8. Marine Corps Base, Twenty Nine Palms, California.
9. Marine Corps Recruit Depot, San Diego, California.
10. Marine Corps Cold Weather Training Center, Bridgeport, California.
11. U. S. Naval Base, Bremerton, Washington.
12. U. S. Naval Ammunition Depot, Hawthorne, Nevada.
13. U. S. Naval Ammunition Depot, McAlester, Oklahoma.
14. Marine Corps Supply Center, Albany, Georgia.
15. Marine Corps Supply Center, Barstow, California.
16. Marine Corps Air Station, Kaneohe, Hawaii.*

*The 27th Rifle Company, Pearl Harbor, is the only organized Reserve Unit which utilizes Kaneohe.

Fig. 2--Sites Most Used for Marine Reserve Training

them prepared to perform their tasks with great expertise. From this point, the fiscal implications—the budgetary considerations and procedures—for achieving the desired state of reserve readiness will be the subject for examination and discussion.

CHAPTER III

RESERVE BUDGET FORMULATION

Background

Brigadier General Fairbourn, the Director of the Marine Corps Reserve, testified:

The appropriation "Reserve Personnel, Marine Corps" covers the pay, allowances, clothing, subsistence, travel and related expenses for Marine Corps reservists performing active duty for training and attending scheduled drills, and for reserve officer candidates undergoing summer training.

The \$25 million requested in this budget for fiscal year 1961 will support a drill-pay end strength of 41,784 officers and men . . . and will permit 2661 Reserve officer candidates to enter training.¹

Several days later, this testimony was heard on the "hill":

The "Operations and maintenance" budget estimate is our plan for meeting the Marine Corps objective of combat readiness, readiness to undertake combat missions now. "Operations and maintenance" buys immediate readiness. It is our ability to fight now.

Our Marine Corps Reserve training program is funded under this appropriation. It will support the maintenance and operation of training centers and the operational costs of training.²

The "Operations and maintenance" budget estimate for fiscal year 1961 contained an estimate of \$4.33 million for Marine Corps Reserve

¹U.S., Congress, Senate, Subcommittee of the Committee on Appropriations, Hearings, Department of Defense Appropriations for 1961, 86th Cong., 2d Sess., 1960, pp. 478-479.

²Ibid., pp. 770, 773.

training.³ These two appropriations, "Reserve Personnel, Marine Corps" and "Operations and maintenance, Marine Corps," provide for almost all of the funds required to support the Marine Corps Reserve programs.⁴

It is a natural reaction to ask immediately, "How do they know they need that much money for that purpose?" The answer to such a question would be an exposition of the heart of budgeting--formulation. Formulation appears to be a sort of umbilical to budgeting--without great strength there, a budget cannot survive succeeding phases.

In this chapter the highly important procedures and considerations employed by planners to arrive at the amounts requested from Congress are discussed.

Budget Philosophies

Many philosophies of budgeting--of what it is and how it is developed--are extant these days. Mechanics of budgeting vary from industry type to industry type, and between industry, in general, and government. But there are many common budget parameters in all of these enterprises. It is appropriate to consider some ideas concerning what a budget is and how it is made which have been expressed by persons whose business is budgeting.

C. W. Platt has written, "A budget is a plan. This is its most outstanding feature."⁵

Another author in the field is convinced that "... planning is the essential element of real budgeting."⁶

³Ibid., p. 769.

⁴Minor amounts are provided by the Marine Corps Reserve (Ground) portion of "Military Construction, Naval Reserve Forces."

⁵C. W. Platt, "Budgetary Control," American Gas Journal, October 7, 1952, p. 327.

⁶D. R. Anderson, Practical Controllershship (Chicago, Ill.: Richard D. Irvin, Incorporated, 1947), p. 2.

A look further into this subject leads to the discovery of more detailed and sophisticated perspectives. It has been said, for example, that a budget is the expression of the philosophy of management—what its aims and ideals are, and what paths to attainment are to be used. Prepared by operators, who must live up to the objectives, the budget cannot avoid reflecting philosophies. The first step in planning is to determine the goals. Long-term plans to meet these goals must be made, then the budget to cover the immediate period ahead can be prepared.⁷

James L. Peirce has published some highly sophisticated views concerning budgeting. One particularly notable contribution to understanding the process can be paraphrased here, whereby he said that the rules that budgeters are concerned with are those which establish working understanding between individuals. The most enlightened relationship yet devised is this: Management explains the job to be done; subordinates plan it, with management guidance; and when management has approved the plan, both agree upon a budget to guide the subordinate. The starting point for sound budget practice is the placing of responsibility for making the budget.⁸

Peirce's views also include these observations:

The budget should reflect a plan free from excess costs, trimmed to the point where to abide by it and turn out the work requires all concerned to be performing at a creditable standard.⁹

⁷R. E. Hambrook, "Top Management and the Budget," Business Budgeting, December, 1959, pp. 15-21.

⁸James L. Peirce, "Control by Budget," The Controller, July, 1957, passim.

⁹Ibid.

Another budgeter in the private sector of the economy feels that "budgeting can be an important motivating force."¹⁰ In order to be positive motivating forces, Wheeler explained, budgets must specify attainable goals and means. Unrealistic and unduly restrictive budgets are negative forces.¹¹

Then there are educators who advance theories and philosophies of budgeting. Some pertinent ones were expressed by Cathryn Seckler-Hudson of American University several years ago. The general theme she expressed was that budgeting requires decision-making by all those involved in the process. Areas in which decisions must be made include, among others, these three:

1. What are the needs, and their relative merits?
2. Which of these needs are to be included in the budget?
3. How much money and other resources shall be allocated to each program?¹²

Manley Howe Jones contributed his support to these statements by others when he wrote:

Budgets are essentially tools for planning and implementing plans. . . . The operating budget is a summary of future plans, cast in terms of dollars.¹³

The Comptroller of the Navy in 1960, F. A. Bantz, was responsible for publishing a brochure to bring about a better understanding of the

¹⁰ John T. Wheeler, "Is There Any Such Animal?" Business Budgeting, January, 1958, p. 18.

¹¹ Ibid.

¹² Cathryn Seckler-Hudson, "Performance Budgeting In Government," Advanced Management, March, 1953, passim.

¹³ Manley Howe Jones, Executive Decision Making (Homewood, Ill.: Richard D. Irwin, Incorporated, 1957), p. 442.

budget process in the Navy. In that publication the Navy concept of a budget was expressed:

. . . the Navy budget is a planning and control instrument which sets forth in terms of dollars the annual "work plan" of the Department.¹⁴

Budget formulation in the Division of Reserves will be scrutinized in subsequent paragraphs. But before there can be real understanding of budgeting in that activity, the budget concepts which prevail there must be known. The Division of Reserve concept of budgeting is this:

A budget is a management tool for determining future requirements which are translated into cost estimates When properly used, budgets are multi-purpose tools because they improve planning, command, communications, coordination, and control. Budgeting requires accurate forecasting of the requirements necessary for accomplishing future objectives. . . . Thus, the Director . . . requires appraisals of the requirements and careful preparation of budget estimates¹⁵

It is obvious that there is great similarity between the perspective here and those cited from several other sources—a budget is a financial plan reflecting goals to be attained.

Budget formulation, then, is a process whereby primary goals and subgoals which contribute are established; then costs of attaining these goals are estimated.

¹⁴U.S., Department of the Navy, Office of the Comptroller, The Budget Process in Navy, NAVEXOS P-2254 (June, 1960), p. 1-10.

¹⁵U.S., Department of the Navy, United States Marine Corps, Budget Manual, Headquarters Marine Corps, HQO P7100.1 (March, 1960), Annex B, p. B-2.

From this point, then, on to the establishment of goals and cost estimates in the Division of Reserves.

Formulation Cycle: Operations
and Maintenance Estimate

The two appropriations for which the Director of Reserves is responsible—"Operations and maintenance, Marine Corps," and "Reserve Personnel, Marine Corps"—provide almost all of the funds used by the Marine Corps Reserve. Formulation of budget requests for these two appropriations is included in this discussion.

Strength guidance is the keystone of all reserve budgeting. In theory, the Assistant Secretary of Defense (Manpower) issues strength guidance for the budget year in planning, in November or December—that is, about eighteen months before the planned funds are to be spent.¹⁶ "Since issuance of strength guidance never happens until the following May, at least in my tenure, we create our own guidance."¹⁷

During December and January, the assigned strength ceilings are translated into the more detailed plans of "Marine Corps Annual Program Objectives,"¹⁸ which delineate the training programs, school and special tours, and equipment and facilities objectives for the budget year. Simultaneously, the final phase of field budget guidance is prepared for

¹⁶ This is considered by many in the budget business in the Marine Corps to be a significant weakness--firm plans cannot be made today for fighting wars two years hence. There are too many rapidly changing variables. Correction of this deficiency is a federal budget process problem--it is above the Marine Corps level.

¹⁷ Interview with Captain James H. Bolton, USMC, Budget Officer, Division of Reserves, Headquarters, U.S. Marine Corps, April 6, 1961.

¹⁸ Prepared in conference by the general and special staffs of the Commandant at Headquarters Marine Corps.

issuance to all Marine Corps Commands.¹⁹ Field budget guidance is intended to be a guide for Marine Corps commands to use in preparing their portions of the "Operations and maintenance, Marine Corps" budget estimates. District Directors and commanding officers of training sites, not categorized as "commands" but anticipated to be used for reserve training, also receive this field budget guidance to assist in their planning to fulfil whatever mission is assigned.

Field budget guidance, usually issued in February, is in the form of a Commandant's letter. It is classified SECRET, thus excerpts from it cannot be published here. However, the tenor of some guidance can be cited.²⁰ One case in point concerns reserve personnel. Planned end strengths for the fiscal year being planned, and the succeeding fiscal year, are given. If gains or decreases are indicated, the source and recipients of such changes are listed.

Another case in point concerns the types and numbers of organized units. A detailed breakdown of the number of units, by types, programmed for the year being considered, is given; the number planned for the subsequent year likewise is given.²¹

The Commandant's guidance also contains cautions and aids to setting goals and budgeting:

¹⁹ Marine Corps Schools, Quantico, Virginia; Fleet Marine Force, Atlantic; Fleet Marine Force, Pacific; Marine Corps Bases, Camp Lejeune, N. C., and Camp Pendleton, Calif.; Marine Corps Supply Centers, Barstow, Calif. and Albany, Ga., are examples of what is meant by Marine Corps Commands. (Marine Corps Order 5450.2A, 17 January 1958).

²⁰ Points are paraphrased from CMC Ltr 004A3261 of 10 Feb. 1961, Field Budget Guidance (SECRET).

²¹ Ibid.

The basic objective is to maintain Marine Corps Reserve facilities in an economical manner that will protect the Government's investment

In order to realize this objective, budgetary requirements for major repair, minor construction, operations, and maintenance must be kept under continuing surveillance. It is imperative that requests for subordinate units be carefully and critically evaluated by the Directors, . . . to ensure that the projects and amounts requested are essential for the accomplishment of the objective.

The degree of maintenance, repair, alteration, and rehabilitation shall be governed by known foreseeable usage.²²

This is a trio of many such instructions, aids, and cautions published as guidance by the Commandant.

Concurrent with field budget guidance preparation at Headquarters, in the Division of Reserves, strengths, training programs, and schools and special tours objectives for the budget year are translated into monthly load data for Recruit Depots and Annual Field Training sites. Once the simple strength ceilings—the keystone—have been translated into detailed plans, all District Directors and training site commanders can be informed of what is expected of them; they, in turn, can estimate the costs of meeting these expectations.

All of these costs become a part of Activity 4 (Marine Corps Reserve Training) portion of the "operations and maintenance" budget estimate. Activity 4 is farther subdivided into Accounting Projects. Number 72 is Operation and Maintenance (MCR) Ground; Number 73, Station Major Repair and Minor Construction (MCR) Ground; and Number 82, Operations and Maintenance (MCR) Aviation.²³

²² Ibid., III-2-1.

²³ Budget Manual Headquarters Marine Corps, op. cit., App. II, p. 6.

Field "operations and maintenance" budget submissions are received at the Division of Reserve from participating field activities by the end of April. All such submissions (pertaining to Activity 4) are made on the form: "Annual Estimate for Operation and Maintenance of Reserve Districts, Stations, and Units, (NAVMC 10252-FD)." Figure 3 shows this form. It appears comprehensive, yet relatively simple to complete and use. Field guidance, as has been noted, includes aids to estimating for the listed items on this form.

During May, all "Activity 4" estimates are consolidated and evaluated by the Division of Reserve. It is important to note that at this stage no changes are made in field estimates.²⁴ At the same time, work is begun to prepare that part of the "operations and maintenance" budget which is created within Headquarters.

What portion of the "operations and maintenance" budget is created at Headquarters? All training aids to be used by the reserves are included at this point. Reserves must be recruited, and only Headquarters can visualize the scope of this endeavor. Certain aspects of administration are centrally processed at Headquarters. Reserve pay, for example, is controlled here entirely. As a final example, services paid centrally are included.²⁵

The manpower guidance from higher officers, scheduled for arrival in December, usually arrives in May. "It is at variance with that which was 'pipedreamed' by local planners in December. So there is frantic reworking of detailed plans which have been in the making for lo! these many months."²⁶

²⁴ Bolton, interview, op. cit.

²⁵ A startling example of "services paid centrally" is postage. The Marine Corps pays a set annual rate to the Post Office Department for all Marine Corps Reserve postage. (Bolton, interview, op. cit.).

²⁶ Bolton, interview, op. cit.

ANNUAL ESTIMATES FOR OPERATION AND MAINTENANCE OF RESERVE DISTRICTS, STATIONS AND UNITS

NAVMC 10252-FD (REV. 2-61)

(PREVIOUS EDITIONS OF THIS FORM ARE OBSOLETE AND WILL NOT BE USED)

TO: Commandant of the Marine Corps (Code AFD)

FROM: (ACTIVITY & LOCATION)

APPROPRIATION

SUBHEAD

ALLOTMENT NO.

17 1106 O&M, MC

PROJECT 72 or 82	FUNCTIONS	EXPENDITURE ACCOUNT NUMBER	APPROPRIATION CHARGES			STATISTICAL CHARGES
			MCSFA	OTHER	TOTAL	
1.	PLANT PROPERTY ACQUISITION (CLASS 3)	41300				
2.	MAINTENANCE OF STATION PROPERTY (MINOR AND PLANT)	44075-142/44845-876				
3.	OPERATION OF AUTOMOTIVE EQUIPMENT	45075				
4.	COMMERCIAL TRANSPORTATION	45080-90				
5.	UTILITIES & COMMUNICATIONS (OPERATION & PURCHASE)	45210-263/45270-277				
6.	MISC. STATION OPERATION & PURCHASED SERVICES	45315-390/45855-888				
7.	REAL PROPERTY RENTALS	45391-392				
8.	MINOR PROPERTY ACQUISITION	45395				
9.	MEDICAL AND DENTAL	45886-887				
10.	CIVILIAN LABOR	49110				
11.	TAD TRAVEL (REGULAR AND ACTIVE DUTY PERSONNEL)	49110				
12.	ELECTRONIC DATA PROCESSING SYSTEM	49115				
13.	ATHLETIC CLOTHING & EQUIPMENT & RECREATION SUPPLIES	75802				
14.	ORGANIZATIONAL EQUIPMENT AND SUPPLIES	76101				
15.	MAINTENANCE OF ORGANIZATIONAL EQUIPMENT	76102				
16.	CONSUMABLE SUPPLIES	76103				
TOTAL			\$	\$	\$	
QUARTERLY BREAKDOWN OF BUDGET ESTIMATE		FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
		\$	\$	\$	\$	

PROJECT 73

17.	MAINTENANCE & REPAIR OF REAL PROPERTY	44200-799				
QUARTERLY BREAKDOWN OF BUDGET ESTIMATE		FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
		\$	\$	\$	\$	

OBJECT CLASSIFICATION			(Indicate applicable Fiscal Year)
OBJECT CLASS	OBJECT 72 OR 82	PROJECT 73	
11.	PERSONNEL COMPENSATION		"Current Year FY _____"
12.	PERSONNEL BENEFITS		"Budget Year FY _____"
13.	BENEFITS FOR FORMER PERSONNEL		"Budget Year Plus One FY _____"
21.	TRAVEL & TRANSPORTATION OF PERSONS		
22.	TRANSPORTATION OF THINGS		
23.	RENT, COMMUNICATIONS, & UTILITIES		
24.	PRINTING AND REPRODUCTION		
25.	OTHER SERVICES		
26.	SUPPLIES AND MATERIALS		
31.	EQUIPMENT		
32.	LAND AND STRUCTURES		
41.	GRANTS, SUBSIDIES, & CONTRIBUTIONS		
42.	INSURANCE CLAIMS & INDEMNITIES		
43.	INTEREST AND DIVIDENDS		
44.	REFUNDS		
TOTAL		\$	
			SUBMITTED:
			SIGNATURE:
		RANK	DATE

While there is not agreement, the "pipedreams" seem to have been remarkably clairvoyant—the reworking is not as frantic as the interview indicated.

Changes in field estimates are made necessary at this point. All such changes are made at Headquarters—the estimates are not returned to the field for revision. In fact, after initial receipt and evaluation, field estimates become a Headquarters estimate in all future processing.

Upon completion of rework, the Activity 4 estimate is ready to be sent to the Fiscal Director for inclusion in the Marine Corps "operations and maintenance" estimate.

Thus far no mention has been made of the appropriation "Reserve Personnel, Marine Corps." This apparent lack of attention is due to the fact that no detailed "pricing-out" of this appropriation has been performed prior to the receipt of the manpower guidance from the Assistant Secretary of Defense (Manpower). But it is now May, and that guidance has arrived!

Formulation Cycle: Reserve Personnel Estimate

While no detailed "pricing-out" has been done on this appropriation estimate prior to May, a few preliminary steps have been taken. Average costs, by rank, for every kind of reserve active duty tour have been calculated. As a consequence, the Division of Reserve budgeter has the average cost of sending the average reserve (of each rank) to the average training site.²⁷ This average cost includes travel and related expenses only—pay, allowances, subsistence, and like items are not variables at this point.

²⁷A study to solve the problem of estimating travel expenses for annual reserve training tours recommended a system for computing average cost per average rank per average tour. It is in use in the Division of Reserve currently. (James H. Bolton, "A Study of a Marine Corps Reserve Financial Management Problem," [unpublished Master's dissertation, Navy Graduate Comptrollership Program, The George Washington University, 1959], passim.)

Average drill attendance, by rank, can be estimated, thus pay and allowances, by rank, for drill attendance can be estimated.

It is a relatively simple task to price-out these details of the manpower guidance to be included in the "Reserve Personnel, Marine Corps" budget estimate.

The Fiscal Director issues a call throughout Headquarters for preparation of details needed for putting the Marine Corps budget estimate in proper form. The procedure and channels and destinations of prescribed details are known to all concerned.²⁸

Manpower Section, Division of Reserves, determines the number of each rank expected to be carried in a pay status during the year, and so informs the Division of Reserves. From the Training Section, details of sites and durations of training tours are obtained. The Logistics Section provides details of subsistence, clothing, and such.

Multiplication of numbers of units times unit costs produces sub-totals for each object class in the "reserve personnel" budget. Footing subtotals results in the over-all estimated budget figure.

It appears, on the surface, that this is not overly complicated. With average strengths and training locations established, only the numbers, not the complexity, of computations are great. No communications to and from the field activities are required; time is of less urgency in this appropriation than in others. Such variables as weather, fires, riots, and the like, which greatly affect objects in the "operations and maintenance" budget, have little or no effect upon the personnel strengths. In short, the "reserve personnel" budget estimate looks to be "cut and dried," once high level strength guidance is at hand.

²⁸ Budget Manual Headquarters Marine Corps, op. cit., passim.

Truly, this is surface appearance. There are serious obstacles to accurate estimates lying beneath that thin surface. The foremost difficulty lies in the determination of unit costs for drill attendance, active duty training, and related objects. Numbers of units times unit costs equals aggregates, certainly. But this is a case of estimated numbers of units being multiplied by estimated unit costs. Then how valid are the resulting aggregates for use in planning?

Take, for example, pay and allowances for a sergeant attending weekly drills. How much longevity does he rate? How many dependents has he? How many drills will he attend during the year? Only guess work can answer these questions. Average figures for each rank can be obtained from historical data, of course. But there is no way to predict drill attendance in the future, e.g., will long-longevity sergeants with no dependents attend more frequently than short-longevity sergeants with several dependents? The scope of this quandry has even more impact when it is remembered that there are nine enlisted pay grades and about ten officer pay grades in the rank structure.

Look at the travel picture for another problem area. All paid-status reserves will attend summer training. Some will go by train or plane, as a group, or individually; some will travel by privately owned conveyance. But how many will go by each of these modes of travel? And to complicate the problem further, it must be remembered that this planning is anticipating by fifteen to eighteen months the actual performance of such travel. At this stage, assignments to training sites anticipated that far into the future are entirely tentative, and undergo numerous changes before actual travel is accomplished. The Division of Reserve budgeter does not know with even a modicum of certainty how far what reserves will travel in undetermined modes of transportation.

Historical data concerning drill attendance and annual field training are valuable, of course. But considerable discretion about active participation in drills and training is at the option of the individual reservist. Trying to anticipate the breadth and depth of the exercise of 45,000 individual options is like trying to gauge wind direction and velocity by shoving a finger into the air.

This is a potential source of considerable inaccuracy in formulating the "personnel" estimates. It is felt that the solution to a problem, with as many variables as are inherent in this one, requires use of an electronic computer. Memory cells can be loaded with a substantial quantity of information about each reservist. Then, theoretically, if appropriate data on all ready reservists are fed into the computer, proper programming will accurately create, by 100% sampling, these estimates:

1. Average costs for any kind of tour, including drill periods.
2. Rank structures, past, present, future, and projected, for any kind of tour, including drill periods.

With the passage of time—a year, for example—sufficient data from personnel reporting will have been stored in the computer to establish usable historical data. Now the computer will easily generate gross budget estimates. Adoption of a computer system to generate the "personnel" estimate (and the "operations and maintenance" estimate, for that matter) is entirely within the prerogatives of the Commandant.²⁹

²⁹In fact, there is a large data processing and computer system presently installed and operation at Headquarters Marine Corps. It has the capacity and the capability for performing this task of budget estimation.

But back to the formulation cycle. It is May, and the Fiscal Director has called for budget estimates to be incorporated into the Marine Corps budget estimate. The "reserve personnel" estimate, for better or worse, is ready to be included in the over-all budget.

Formulation Cycle: Marine Corps
Budget Estimate

In June, the Commandant holds a review of the budget. This review serves to acquaint him with the estimate details, to obtain his decision as to the request to be submitted by the Marine Corps, and gives staff agencies the opportunity to become acquainted with all of the Marine Corps budget plans for the fiscal year in planning.³⁰

Only the unrealistic would expect the "initial" budget to escape unscathed from this review. Many pet projects and "letters to Santa"³¹ are eliminated at this stage. A natural consequence of eliminations is a rework process.

The Comptroller of the Navy receives the Marine Corps budget estimate in July.³² Again it is reviewed and "marked-up." The initial budget and the "mark-up" copy are channeled through the Chief of Naval Operations Advisory Board to the Secretary of the Navy for final review and decision. In most years, reworking is necessary following the Secretary's decision.

At this point in the cycle, the Marine Corps budget is made a part of the budget for the Department of the Navy. During August and September,

³⁰Budget Manual Headquarters Marine Corps, op. cit., p. 2-3.

³¹Interview with officers in the Logistics Section, Division of Reserve, Headquarters Marine Corps, 15 March 1961.

³²Facetiously referred to in some Marine Corps circles as, "the only case in the Department of Defense where one service submits a budget to another service for approval."

this Navy budget is submitted to the Office of the Secretary of Defense for review and mark-up, thence to its final destination.

Congress gets the Defense Department budget in January. The following months are occupied with testimony before Senate and House Committee hearings. The culmination of the labors of the preceding eighteen months is the passage, by the Congress, of the Defense Department Appropriation Act.

CHAPTER IV

RESERVE BUDGET FORMULATION

Controls—Apportionment, Allocation, Allotment

Budget execution, generally speaking, is the final or implementing phase of the budget process. It is implementation of the budget as finally approved and funded by the Congress.

"Budget execution begins after the enactment of appropriations," states Smithies, "but . . . the distinction between formulation and execution should not be too sharply drawn."¹ Sharp separation of the two phases would result in inability to amend after formal legislation has been passed; programs could not be adapted to changing or unforeseen needs.²

Plans, or goals, were established and then fitted with financial measurements during the formulation phase. Budget execution is concerned with the accomplishment of those plans or goals. "It is the process to achieve the most economical and efficient use of funds in carrying out programs for which appropriations are made by the Congress."³

The process of budget execution is complex, involving limitations and controls imposed by Congress, the Bureau of the Budget, the Office of the Secretary of Defense, the General Accounting Office, and other government agencies.

¹Arthur Smithies, The Budgetary Process in the United States (New York: McGraw Hill Book Company, Inc., 1955), p. 148.

²Ibid.

³The Budget Process in Navy, op. cit., p. 6-3.

Fundamentally, it is said, "the purpose of budgetary control is to find the most profitable course on which to travel and, secondly, to assist management in remaining on this course."⁴ Amplification of the discussion of budgetary control came from Burkhead when he cautioned, ". . . current control must be a temperate one so that management prerogatives may be preserved."⁵

Controls inherent in budget execution are manifested fundamentally through the apportionment process, the allocation process, and financial plans. Essentially, then, controls consist of administration of the planned programs and accounting of funds related to such administration.

Understanding of budgetary controls is made easier if it is remembered that appropriations are not mandates to spend—they are authorizations which must not be exceeded.⁶

In order to coordinate the staff action necessary in the execution of Marine Corps appropriations, a single staff officer has been designated as "Appropriation Sponsor" for each appropriation, The Director, Division of Reserve, has been designated as the sponsor for "Reserve Personnel, Marine Corps."⁷ His duties are to:

1. Assist in the formulation of the Commandant's financial plan.

⁴J. Brooks Heckert and J. D. Willson, Business Budgeting and Control (New York: Ronald Press, 1955), p. 3.

⁵Jesse Burkhead, Government Budgeting (New York: John Wiley and Sons, Inc., 1956), p. 341.

⁶The Budget Process in Navy, op. cit.

⁷Budget Manual Headquarters Marine Corps, op. cit., p. 2-2.

2. Monitor execution of the Commandant's financial plan.⁸

At the same time, the Director of the Division of Reserve is a Project Sponsor for the Reserve Training portion of the "operation and maintenance" appropriation. As such, he recommends amounts and employment of funds so as to accomplish this program.⁹ That is, he assists the G-4 in carrying out the above duties pertaining to the "operation and maintenance" appropriation.

On June 16, 1960, the following paragraphs were published:

The following sums are appropriated For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Marine Corps Reserve and the (reserve officer candidates) . . . as authorized by law, \$24.8 million¹⁰

.
For expenses, necessary for the operation and maintenance of the Marine Corps, including equipment and facilities;¹¹
training and education of regular and reserve personnel

Thus commenced congressional action on appropriations for use by the Defense Department. Congressional action culminates with passage of a Defense Department appropriation act each year. Before this act can become a law, of course, the President must sign it. But signing of the appropriation act by the President does not make the money available for use—statutory authority alone is not enough. Administrative authority must also be obtained.

⁸ Ibid., p. 4-3

⁹ Ibid., p. 4-4.

¹⁰ U.S., Congress, House, An Act Making Appropriations for the Department of Defense for the Fiscal Year Ending June 30, 1961, 86th Cong., 2d Sess., 1960, p. 5.

¹¹ Ibid., p. 12.

This administrative authority is known as the apportionment. The Commandant secures an apportionment by making a request to the Bureau of the Budget. This request is based on the approved plans and programs upon which the appropriation was granted; it is for the whole year, in amounts such as will support the requirements of each fiscal quarter.

Here is how the request for apportionment is developed. In May, just preceding the beginning of the coming fiscal year, a short-cycle rework of the budget is made at Headquarters Marine Corps in an attempt to match programs to the funds Congress is likely to approve.¹² As soon as the House Bill¹³ is published, the Fiscal Director issues instructions to the staff for the necessary financial data on which to formulate the Commandant's apportionment request. Documents generated from these data show quarterly distribution of funds, subdivided into budget activities, to indicate amounts proposed for obligation by budget activities and by fiscal quarters.

Upon approval of the apportionment schedule by the Bureau of the Budget, activity allocation is submitted to the Comptroller of the Navy. Approval of this allocation completes the required authorization, and funds are then available to the Commandant for execution of the approved programs.¹⁴

Funds allocated to the Commandant are further allocated to appropriation sponsors, by name. Thus, Brig. Gen. William T. Fairbourn receives the allocation for "Reserve Personnel, Marine Corps." Legal responsibility for

¹²Based upon evaluation and appreciation of what has transpired at hearings and from liaison contacts, statements of legislators, and other indicators. (Interview with Captain James H. Bolton, Budget Officer, Division of Reserves, April 3, 1961).

¹³Supra, p. 32.

¹⁴Budget Manual Headquarters Marine Corps, op. cit., p. 3-2.

use of these funds now resides with General Fairbourn, the Director of Reserves.

Allotment of funds by the Director can now proceed. These allotments are made as follows:

1. Under the head of "Reserve Personnel, Marine Corps"
 - a) Funds for clothing are allotted to each District Director and Recruit Depots quarterly, based on quarterly requests.
 - b) All other funds are placed in an open allotment, citable by any federal disbursing officer.
2. Under the head of "Operations and maintenance, Marine Corps"
 - a) Field allotments are based on evaluated requests received with budget estimates in May. (The request form, shown in Figure 3, page 23, provides spaces for quarterly breakdowns).
 - b) Headquarters allotment for the payment of central procurement, training aids, recruiting media, and postage.
 - c) A small open allotment is set up to pay for Transportation of Things.¹⁵

All allotments are made on the form shown as Figure 4, "Allotment/Suballotment Authorization (NAVCOMPT Form 372)." This form must bear the signature of the Director of Reserve before any funds thereunder can be obligated by using activities.

The activities which receive these allotments are the operators—those who carry out the Marine Corps Reserve programs to maintain a ready-to-fight reserve. Within the framework thus set, it is now appropriate to proceed to a discussion of the financial management of these allotted funds.

¹⁵Bolton, interview, April 3, 1961, op. cit.

Financial Management—"Reserve
Personnel, Marine Corps" Funds

Very early in the fiscal year, the planning sections¹⁶ in the Division of Reserve are asked to prepare monthly personnel plans for matters within their purview. Initial work in this preparation is based upon the quarterly plans which were generated for the apportionment request. These quarterly plans are priced-out in detail (by object by project) and established on books maintained by the Reserve budgeter.

At this stage, monthly personnel plans are, in fact, the operating plan for this appropriation. There is this highly important aspect to be remembered: these monthly plans are based on what is foreseen only—the originators, theoretically, are not aware of the amount of funds available. The situation is one which tends to offset the propensity to spend "just because the money is there." Peirce says the same thing, in effect, when he writes that one of the dangers to budgeting is the failure to reduce costs because expenditures are running within budget limits.¹⁷

In most cases these monthly plans exceed funds available; the Director then must decide what to cut and from where. It still appears, however, that this is a healthy atmosphere in which to plan the expenditure of the funds.

A "Monthly Report of Strength and Drill Attendance" is received at the Division of Reserves from each unit. From each District Director, a "Monthly Report on Active Duty for Training" is received. These reports, the titles of which explain their contents, are put into usable form (data by ranks attending, types of drills and active duty, pay status, and similar breakdowns) by the planning sections at Headquarters.

¹⁶The Manpower Section, Logistics Section, Training Section, etc.

¹⁷Peirce, "Control by Budget," op. cit.

In this form, the budget office details prices and computes the aggregates. The aggregates become, then, an estimation of the obligations against the "Reserve Personnel" open allotment.

In most instances, the monthly reports are erroneous.¹⁸ There are generated, therefore, two probable errors: One is in the personnel report used; the other, in the cost rates applied to them. Cost rates enter the scene because true rates are not known—historical data generation lags far behind the need for it.¹⁹

The only means of verifying estimated obligations is with recorded expenditures. For Fiscal Year 1960 a new expenditure account structure was installed which accumulates costs on both program and commodity bases. Considerable confusion has existed since this innovation, and charging of costs by field activities has been less than correct, in general. Additionally, the ability of any federal disbursing officer to cite the open allotment makes verification of expenditures extremely difficult. This is compounded by the fact that the documents are scattered throughout the land.

Within the Accounting Branch at Headquarters, there is no true audit of expenditures. A charge is considered to be a good charge if it contains a possible combination of expenditure account number, bureau control number, and activity accounting number. Many erroneous charges can be passed under this attitude. The only charges audited are those with an impossible combination of numbers.

¹⁸ The preponderance of errors derives from disbursing officers citing wrong accounts, usually in the writing of orders. Thus, the detailed pricing indicates an obligation which may not exist, fails to show one which does exist.

¹⁹ In FY 1961, the Accounting Branch has been unable to generate cumulative expenditures listings within reasonable periods of time. The last cumulative listing available to the Division of Reserve was on September 30, 1960. (Bolton, interview, April 3, 1961, op. cit.).

Thus, the reliability of recorded expenditures is not as good as desired; there is some doubt that comparison of estimated obligations with recorded expenditures gives valid measurement, in this case.

Couple this situation with the slowness²⁰ in generating cumulative expenditure lists, and the result is a difficult control situation, to say the least.

Some steps have been taken to correct these weaknesses. An education process is underway to instruct all personnel concerned as to the proper methods of using appropriation citations. The budgeter with the Division of Reserves is compiling a list of "impossible possible" combinations of numbers²¹ for the Accounting Branch to use as an aid to auditing expenditures. But efforts to speed the flow of cumulative listings have been of little avail. Certainly the Accounting Branch can improve; however, it is felt that the cumbersome system of accounts prescribed for use by higher authority is the culprit.

Because of the deficiencies just discussed and the built-in errors in estimating drill attendance and active duty training,²² the monthly plan and the actual reports soon get out of phase. The monthly plan, therefore, is revised about every two months during the year. As indicated in a previous paragraph, the plans usually exceed available sums, and the Director must cut some program. "This is the only way of controlling the

²⁰Supra, p. 38.

²¹Based upon the amount of expenditure being recorded and accounts numbers and management by exception. For example, a charge for officers' travel should never exceed a specified maximum for any unit on group travel (Bolton, interview, April 3, 1961, op. cit.).

²²Supra, p. 26.

appropriation."²³ For the most part, this correction by cutting has been overapplied, i.e., greater cuts than were necessary were made. This has resulted in unobligated balances. Some worthwhile programs must have been eliminated or cut short in this "moment of truth" jab at appropriation control.

The most good for the money can be obtained, it seems, when defective personnel reporting is corrected and when defective expenditure accounting is cured. Only then can the resultant estimation of costs be correct.

Improvements are coming! A fully mechanized pay system is in effect in the Marine Corps Reserve. As a by-product of this system, monthly and quarterly reports on Drill Pay, Administrative Duty Pay, Annual Field Training Pay and Allowances, FICA, and Income Taxes are received. This equals gross entitlement, and provides actual obligations for these areas. And these areas occupy about one-half of the "Reserve Personnel" appropriation. Tight control, it appears, can now be exercised over this half of the appropriation.

Another improvement on the horizon is in a mechanized personnel reporting system. The Commandant has approved a punched card system for such reporting; reserve pay is already on punched cards, and the monthly reports from District Directors and units have been redesigned for this system. Taken alone, however, the punched card system lends nothing to financial management of the appropriation.

The value of the mechanized system is that it can be used as a source of information to store in a computer. The natural combination of all of the data recorded and reported by punched pay cards and personnel reports

²³Control only to the point of not overobligating the apportionment for the appropriation for the quarter. (Bolton, interview, April 6, 1961, op. cit.).

could be a computerized "Reserve Personnel" appropriation—budgeting and financial management.

A strong recommendation is resubmitted²⁴ for integration of the punched card system and the computer already on hand at Headquarters Marine Corps. Pay cards and personnel reporting cards must be designed to insure that they include sufficient data to permit proper programming. This system would give, through better estimates of units and unit costs, better control over the remaining half of this appropriation.

Financial Management—"Operations and Maintenance, Marine Corps" Funds

This is an uncomplicated, albeit a time-consuming project. The Division of Reserve is required to provide periodic data to the Fiscal Director to be included in the financial plan for the entire "operations and maintenance" appropriation.²⁵ As far as possible, initial plans set forth in the apportionment are adhered to, but adjustments often must be made as District Directors request funds for new or expanded projects.

"'Operations and maintenance' provides no problems, except in Transportation of Things, which, as an open allotment, has the same relative headaches as 'Research personnel'."²⁶

²⁴ Supra, p. 27.

²⁵ Budget Manual Headquarters Marine Corps, op. cit., p. 5-9.

²⁶ Bolton, interview, April 3, 1961, op. cit.

CHAPTER V

SUMMARY

The first objective of this appraisal of the budget process for the Marine Corps Reserve is justification of the existence of such a reserve. If there were no need for the reserve, then certainly there would be no requirement for a budget for it.

In 1950, the Marine Corps Reserve was mobilized and committed to battle with incredible speed. Fortunately, the Korean fracas has been the only concrete proof of the value of a ready reserve. But that proof, it is believed, is sufficient to warrant the maintenance of such a force in this present-day state of international tension. That one event, combined with the prospect that a similar one might occur at any moment, makes retention of a reserve force mandatory.

One of the basic tenets of this evaluation is that, if it is wise to spend public funds for a reserve, that spending ought to be done with wisdom. The second major objective of this study is to see whether or not that case prevails—are the funds made available to the Marine Corps to maintain a reserve being expended wisely?

To set the framework and scope for examination, the organization and geographical distribution of the Marine Corps Reserve was described briefly. Command relationships were discussed, in order for the reader to understand better the flow of authority and responsibility for command and attendant financial management.

Budget formulation is the heart of the budget process. In the third chapter there is a lengthy discussion of this phase of the reserve budgeting process. The major weakness in this phase was found to be the inability to estimate accurately two factors: unit costs of drill attendance, active duty training, and related objects; and the numbers of units of drill attendance, active duty training, and related objects. The approach to goal setting is realistic and well done—estimating the costs of achieving those goals is inaccurate.

Estimates established during the formulation stages are the bases for congressional action to appropriate funds. But appropriation alone is not sufficient—administrative authority is also required. This authority, manifested in apportionments, allocations, and allotments, begins the expenditure of funds. Since operating plans are needed to guide and control this expenditure, the Division of Reserve system of drawing operating plans has been described. Management of the funds—comparing estimated obligations against the plan, then taking action to insure that the appropriation is not overobligated—is a pertinent part of any discussion about budget execution. Evaluation of the management of funds appropriated to finance the Marine Corps Reserve has led to this conclusion: areas for improvement are too large to permit any feeling of complacency. The men associated with this sphere of activity within Headquarters recognize the deficiencies that exist. It is gratifying to note that efforts are being made to erase these weaknesses.

Use of computers to formulate and execute the budget is recommended as the best solution to the problems of estimating funds required and managing the expenditure of funds appropriated. Perhaps this will be the next major step to be taken to improve budgeting here.

All things considered, it must be said that the funds appropriated to recruit, train and maintain the Marine Corps Reserve are being spent with all of the ability and wisdom that can be mustered.

BIBLIOGRAPHY

Public Documents

- U.S. Department of the Navy, Headquarters, U. S. Marine Corps. Budget Manual Headquarters Marine Corps. March, 1960.
- _____. Marine Corps Commanders and Financial Management. June, 1958.
- U.S. Department of the Navy, Office of the Comptroller. The Budget Process in Navy. June, 1960.
- U.S. House of Representatives. An Act Making Appropriations for the Department of Defense for the Fiscal Year Ending June 30, 1961. 86th Cong., 2d Sess., 1960.
- _____. Subcommittee of the Committee on Appropriations. Hearings, Department of Defense Appropriations, 1961. 86th Cong., 2d Sess., 1960.
- U.S. Senate, Subcommittee of the Committee on Appropriations. Hearings, Department of Defense Appropriations for 1961. 86th Cong., 2d Sess., 1960.
- U.S. Statutes. Armed Forces Reserve Act of 1952, Public Law 476, 82d Cong., 2d Sess., July 9, 1952. (66 Stat 481).
- _____. Reserves Forces Act of 1955, Public Law 305, 84th Cong., 1st Sess., August 9, 1955 (66 Stat 599).

Books

- Anderson, D. R. Practical Controllershship. Homewood, Illinois: Richard D. Irwin, Inc., 1947.
- Burkhead, Jesse. Government Budgeting. New York: John Wiley and Sons, Inc., 1956.
- Guisti, Ernest H. The Mobilization of the Marine Corps Reserve in the Korean Conflict. Washington, D.C.: U. S. Marine Corps, 1952.
- Heckert, J. Brooks, and Willson, J. D. Business Budgeting and Control. New York: Ronald Press, 1955.
- Jones, Manley Howe. Executive Decision Making. Homewood, Illinois: Richard D. Irwin, Inc., 1957.

Montrose, Lynn, and Canzona, Nicholas A. U. S. Marine Operations in Korea.
Vol. I: The Pusan Perimeter. Washington, D.C.: U. S. Marine Corps,
1954.

Smithies, Arthur. The Budgetary Process in the United States. New York:
McGraw-Hill Book Co., Inc., 1955.

Articles and Periodicals

Hambrook, R. E. "Top Management and the Budget," Business Budgeting,
December, 1959.

Peirce, James L. "Control by Budget," The Controller, July, 1957.

Platt, C. W. "Budgetary Control," American Gas Journal, October, 1952.

Seckler-Hudson, Cathryn. "Performance Budgeting in Government," Advanced Management, March, 1953.

Wheeler, John T. "Is There Any Such Animal?" Business Budgeting, January,
1958.

Unpublished Material

Bolton, James H. "A Study of a Marine Corps Reserve Financial Management Problem." Unpublished Master's dissertation, School of Government (Navy Graduate Comptrollership Program), The George Washington University, 1959.

Other Sources

U.S. Marine Corps Headquarters. Personal interviews with Captain James H. Bolton, USMC, Budget Officer, March through April, 1961.

_____. Personal interviews with the Director, Division of Reserves, March 13, 1961.

_____. Personal interview with the Head, Manpower Section, Division of Reserves, March 13, 1961.

thesH22

An appraisal of the budgetary process in



3 2768 002 08178 8

DUDLEY KNOX LIBRARY